



WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS

ROBERT E. LIST, CPA
STEWART J. REID, CPA
MICHAEL L. HANISKO, CPA
DAVID D. QUIMBY, CPA
KATHLYN M. ENGELHARDT, CPA
RENA E. M. CLEVINGER, CPA
AMY L. RODRIGUEZ, CPA
SCOTT A. NIETZKE, CPA

WALTER G. WEINLANDER, CPA
ROY A. SCHAIRER, CPA
JAMES L. WHALEY, CPA
JEROME L. YANTZ, CPA
PHILIP T. SOUTHGATE, CPA
ROBERT J. DUYCK, CPA

LINCOLN TOWNSHIP CLARE COUNTY, MICHIGAN

FINANCIAL STATEMENTS JUNE 30, 2005

1600 CENTER AVENUE
POST OFFICE BOX 775
BAY CITY, MI 48707-0775
989-893-5577
800-624-2400
FAX 989-895-5842
www.wf-cpas.com
wf@wf-cpas.com

OFFICES: BAY CITY, CLARE
GLADWIN AND WEST BRANCH

RSM McGladrey Network

An Independently Owned Member

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name LINCOLN TOWNSHIP	County CLARE
Audit Date 6/30/05	Opinion Date 7/12/05	Date Accountant Report Submitted to State: 12-7-05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) WEINLANDER FITZHUGH			
Street Address 601 BEECH STREET	City CLARE	State MI	ZIP 48617
Accountant Signature <i>Shannon L Wilson CPA</i>			Date 12-7-05

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Independent Auditors' Report

July 12, 2005

To the Township Board
Lincoln Township
Clare County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lincoln Township as of and for the year ended June 30, 2005, which collectively comprise the Lincoln Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Lincoln Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lincoln Township as of June 30, 2005, and the respective changes in financial position thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

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WEINLANDER FITZHUGH

To the Township Board
Lincoln Township
July 12, 2005

Required Supplemental Information

The management's discussion and analysis and budgetary comparison listed in the table of contents are not a required part of the basic financial statements but is supplemental information required by U.S. generally accepted accounting principles and the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Combining Financial Statements and Other Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lincoln Township's basic financial statements. The individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Weinlander Fitzhugh

LINCOLN TOWNSHIP
Management's Discussion and Analysis
For the Year Ended June 30, 2005

Our discussion and analysis of the Lincoln Township's (Township) financial performance provides an overview of the Township's financial activities for the fiscal year ended June 30, 2005.

Financial Highlights

The Township's net assets increased by \$53,773 or 4%. Program revenues were \$704,739 or 74% of total revenues, and general revenues were \$246,708 or 26%.

Using this Annual Financial Report

This annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Lincoln Township financially as a whole. The *Government-wide Financial Statements* provide information about the activities of the whole Township, presenting both an aggregate view of the Township's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For Governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the Township's operations in more detail than the Government-wide financial statements by providing information about the Township's most significant funds – the General, Fire and Police Funds, with all other funds presented in one column as nonmajor funds. Individual fund information for non-major funds is found in statements in a later section of this report. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the Township acts solely as an agent or trustee. The following summarizes the presentation included in this annual financial report.

Management's Discussion and Analysis (MD&A) (Required Supplemental Information)

Basic Financial Statements

- Government-wide Financial Statements
- Fund Financial Statements
- Notes to Financial Statements

Budgetary Information for the Major Funds (Required Supplemental Information)

Other Supplemental Information

LINCOLN TOWNSHIP
Management's Discussion and Analysis
For the Year Ended June 30, 2005

Reporting the Township as a Whole

The Statement of Net Assets and Statement of Activities

One of the most important questions asked about the Township's finances is, "Is the Township better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the Township's net assets as a way to measure the Township's financial position. The change in net assets provides the reader a tool to assist in determining whether the Township's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as property tax base and facility conditions in arriving at their conclusion regarding the overall health of the Township.

Reporting the Township's Most Significant Funds

Fund Financial Statements

The Township's fund financial statements provide detail information about the most significant funds – not the Township as a whole. Some funds are required to be established by State law. Other funds are established to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants, and other sources of revenue. The Township's two types of funds, governmental and fiduciary, use different accounting approaches as further described in the notes to the financial statements.

Governmental Funds

Most of the Township's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances remaining at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detail short-term view of the Township's general operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources available to spend in the near future to finance the Township's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

LINCOLN TOWNSHIP
Management's Discussion and Analysis
For the Year Ended June 30, 2005

Fiduciary Funds

The Township is the trustee, or fiduciary, for tax collections. All of the Township's fiduciary activities are reported in the separate Statement of Fiduciary Net Assets. We exclude these activities from the Township's other financial statements because the assets cannot be utilized by the Township to finance its operations.

Township-wide Financial Analysis

The statement of net assets provides the perspective of the Township as a whole. Exhibit A provides a summary of the Township's net assets as of June 30, 2005 and 2004:

Exhibit A	Governmental Activities	
	2005	2004
Assets		
Current and other assets	\$ 990,260	\$ 1,083,662
Capital assets - net of accumulated depreciation	<u>409,071</u>	<u>401,169</u>
Total assets	<u>1,399,331</u>	<u>1,484,831</u>
Liabilities		
Current liabilities	35,063	138,226
Long-term liabilities	<u>59,123</u>	<u>95,233</u>
Total liabilities	<u>94,186</u>	<u>233,459</u>
Net Assets		
Invested in property and equipment - net of related debt	331,471	305,936
Restricted	444,214	410,069
Unrestricted	<u>529,460</u>	<u>535,367</u>
Total net assets	<u>\$ 1,305,145</u>	<u>\$ 1,251,372</u>

LINCOLN TOWNSHIP
Management's Discussion and Analysis
For the Year Ended June 30, 2005

This analysis focuses on net assets. The Township's net assets were \$1,305,145 at June 30, 2005. Capital assets, net of related debt, totaling \$331,471 compares the original costs, less depreciation of the Township's capital assets to long-term debt used to finance the acquisition of those assets. The debt will be repaid from property taxes collected for operations of the Fire Fund.

The \$529,460 in unrestricted net assets of governmental type activities represents the *accumulated* results of all past years' operations. The operating results of the General and Special Revenue Funds will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the Township as a whole are reported, as summarized, in the statement of activities Exhibit B, which shows the change in net assets for the year ended June 30, 2005 and 2004.

LINCOLN TOWNSHIP
Management's Discussion and Analysis
For the Year Ended June 30, 2005

Exhibit B	Governmental Activities	
	2005	2004
Revenue		
Program revenue:		
Charges for services	\$ 684,339	\$ 672,182
Grants and contributions	20,400	2,586
General revenue:		
Property taxes	88,007	79,776
State revenue sharing	120,478	123,031
Other	38,223	48,420
Total revenue	<u>951,447</u>	<u>925,995</u>
Function/Program Expenses		
General government	247,655	316,326
Public safety	270,117	255,973
Public works	166,779	173,717
Highways and streets	173,641	255,820
Recreation and culture	30,738	54,448
Planning, zoning, and inspector	4,642	7,916
Interest on long-term debt	4,102	4,908
Total expenses	<u>897,674</u>	<u>1,069,108</u>
Change in Net Assets	<u>\$ 53,773</u>	<u>\$ (143,113)</u>

LINCOLN TOWNSHIP
Management's Discussion and Analysis
For the Year Ended June 30, 2005

As reported in the statement of activities, the cost of all of our *Governmental type* activities this year was \$897,674. Certain activities were partially funded from those who benefited from the programs or by the other Townships and organizations that subsidized certain programs with grants and contributions. We paid for the remaining "public benefit" portion of our governmental activities with \$88,007 in taxes, \$120,478 in State revenue sharing, and with our other revenues, such as administration fees, interest and miscellaneous revenues.

The Township experienced an increase in net assets of \$53,773. Key reason for the change in net assets was a decrease in the spending on roads. The change in net assets differs from the change in fund balance and a reconciliation appears in the financial statements.

The Township's Funds

The Township uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Township is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Township's overall financial health.

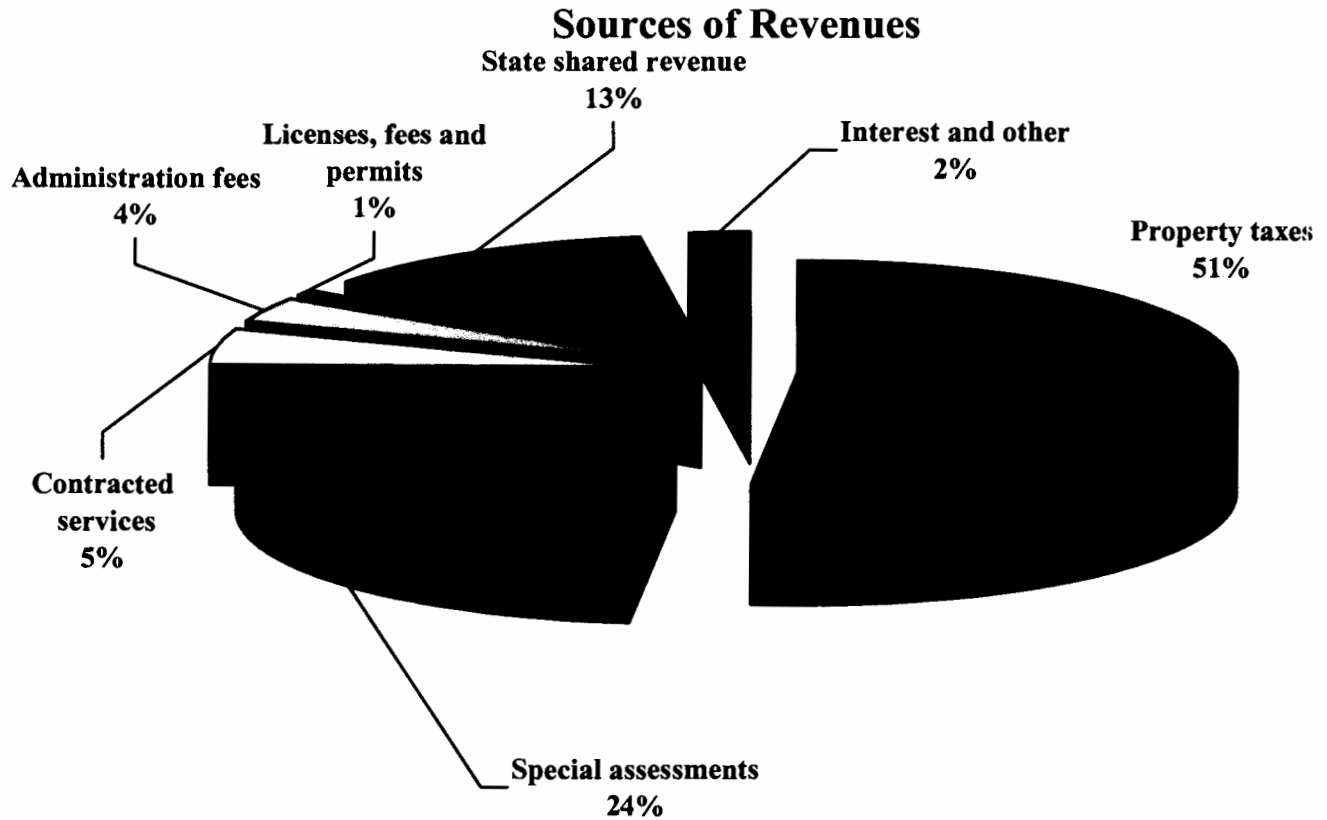
The Township's governmental funds reported a combined fund balance of \$973,674, which is above last year's total of \$945,436. The schedule below indicates the fund balance and the total change in fund balances as of June 30, 2005 and 2004.

	<u>Fund Balance</u> <u>June 30, 2005</u>	<u>Fund Balance</u> <u>June 30, 2004</u>	<u>Change</u>
General	\$ 695,391	\$ 657,977	\$ 37,414
Special Revenue	<u>278,283</u>	<u>287,459</u>	<u>(9,176)</u>
Total	<u>\$ 973,674</u>	<u>\$ 945,436</u>	<u>\$ 28,238</u>

- Our General Fund increased \$37,414. The increase is mainly due to a decrease in the road improvements and capital expenditures.
- Our Fire Fund decreased \$6,340. The decrease was budgeted in order to purchase equipment.
- Our Police Fund decreased \$2,836. The decrease is mainly due to increases in the cost of fees paid to Clare County for police services.
- The Liquor Law Fund did not have any activity during the fiscal year.

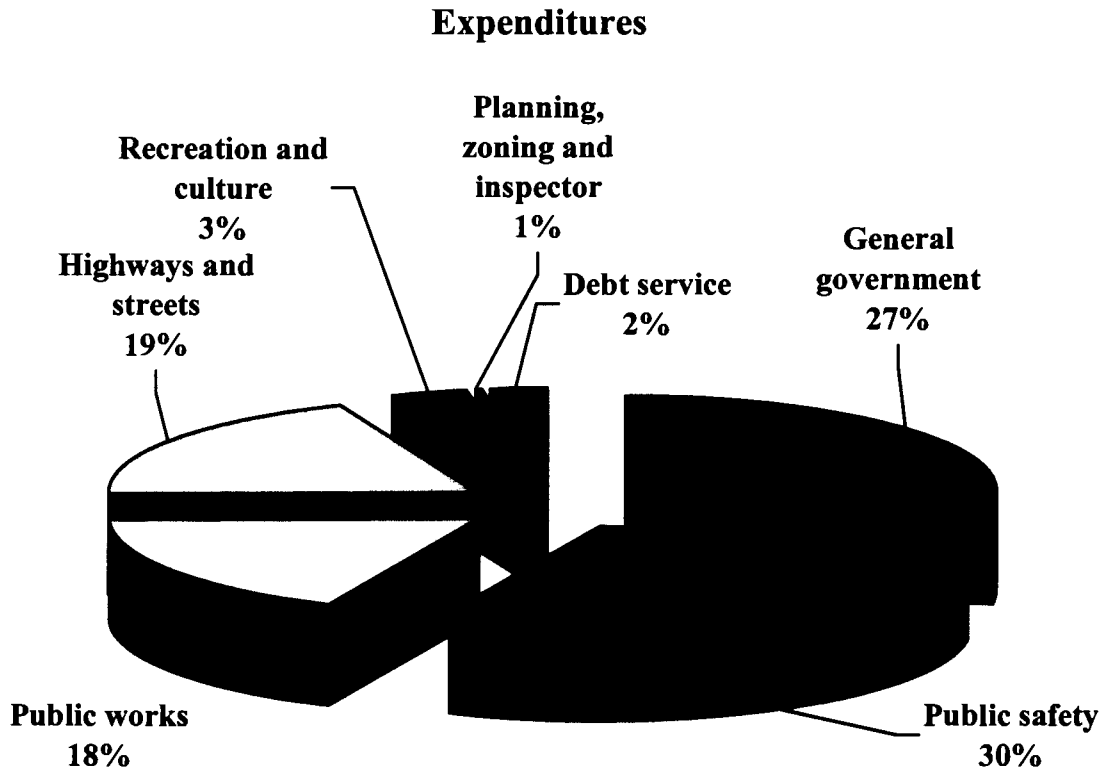
LINCOLN TOWNSHIP
Management's Discussion and Analysis
For the Year Ended June 30, 2005

As the graph below illustrates, the largest portion of the Township's revenue comes from property taxes.



LINCOLN TOWNSHIP
Management's Discussion and Analysis
For the Year Ended June 30, 2005

The graph below illustrates, 27% of the Townships' resources are spent on general government expenses such as administrative costs and hall and grounds, including utilities. Another 19% is spent on highways and streets, while 30% is spent mainly on fire and police services. The remaining 24% is spent on other services provided to the residents of the Township as shown below.



LINCOLN TOWNSHIP
Management's Discussion and Analysis
For the Year Ended June 30, 2005

The chart below compares current year expenditures with prior year.

	<u>2005</u>	<u>2004</u>
<i>Expenditures by Function</i>		
General government	\$ 250,415	\$ 342,796
Public safety	269,859	238,212
Public works	166,779	173,717
Highways and streets	173,641	255,820
Recreation and culture	30,738	54,448
Planning, zoning and inspector	4,642	7,916
Debt service	21,735	21,732
Transfers to other funds	<u>0</u>	<u>4,730</u>
Total	<u>\$ 917,809</u>	<u>\$ 1,099,371</u>

Expenditures are down by \$181,562 or 17% over the prior year mostly due to decreased spending in road repair and maintenance, cemetery paving and master planning project, capital expenditures. The decreases in expenditures were off set by increases in costs to operate the Fire Fund.

General Fund Budgetary Highlights

Over the course of the year, the Township revises its budgets to reflect changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Township's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

Changes to the General Fund budget were as follows:

- There were no changes to the revenue original budget.
- Budgeted expenditures increased due to an increase in insurance, equipment purchases, road construction and maintenance, unemployment reimbursement and prior year property tax losses. The overall change in other areas was immaterial.
- Actual revenues exceeded budgeted revenue by \$67,535. The difference is primarily due to an increase in state shared revenues and property tax collections.
- Actual expenditures were under the budgeted expenditures by \$347,452. The difference is due to road construction projects being completed under budget and the delay of several lake improvement projects.

LINCOLN TOWNSHIP
Management's Discussion and Analysis
For the Year Ended June 30, 2005

Capital Assets

At June 30, 2005, the Township had \$409,071 invested in a broad range of capital assets, including land, buildings, furniture, and equipment, net of accumulated depreciation. This amount represents a net increase (including additions and disposals) of \$7,902, or 2%, from last year.

	<u>2005</u>	<u>2004</u>
Land	\$ 35,207	\$ 29,807
Buildings and improvements	105,223	105,223
Equipment	161,775	107,801
Vehicles	<u>414,900</u>	<u>414,900</u>
Total capital assets	717,105	657,731
Less accumulated depreciation	<u>308,034</u>	<u>256,562</u>
Net capital assets	<u><u>\$ 409,071</u></u>	<u><u>\$ 401,169</u></u>

This year's additions of \$59,374 included the donation of land and the purchase of maintenance equipment, an early warning system and fire equipment. No debt was issued for these additions.

We do not anticipate any major capital additions in the next fiscal year. We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At the end of this year, the Township had \$77,600 in long-term debt outstanding versus \$95,233 in the previous year – a change of 19%. The long-term debt consisted of the following:

	<u>2005</u>	<u>2004</u>
Installment purchase agreements	<u>\$ 77,600</u>	<u>\$ 95,233</u>

The Township's outstanding general obligation debt of \$77,600 is significantly below the statutorily imposed limit.

LINCOLN TOWNSHIP
Management's Discussion and Analysis
For the Year Ended June 30, 2005

Factors Expected to Have an Effect on Future Operations

We expect to see a decline in state shared revenue next year as the State of Michigan continues to face challenges in balancing its budget. We will need to adjust Township expenditures in response to any revenue shortfall.

Requests For Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in Lincoln Township. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Lincoln Township
P.O. Box 239
Lake George, MI 48633

LINCOLN TOWNSHIP
Statement of Net Assets
June 30, 2005

	Governmental <u>Activities</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 974,632
Prepaid expenses	7,758
Due from other governmental units	7,868
Due from Fiduciary Fund	2
Capital assets - net of accumulated depreciation of \$308,034	<u>409,071</u>
Total Assets	<u>1,399,331</u>
<u>Liabilities</u>	
Accounts payable	16,586
Noncurrent liabilities:	
Due within one year	18,477
Due in more than one year	<u>59,123</u>
Total Liabilities	<u>94,186</u>
<u>Net Assets</u>	
Invested in capital assets - net of related debt	331,471
Restricted for:	
Streets and highways	416,943
Rubbish removal	27,271
Unrestricted	<u>529,460</u>
Total Net Assets	<u><u>\$ 1,305,145</u></u>

See accompanying notes to financial statements

LINCOLN TOWNSHIP
Statement of Activities
For the Year Ended June 30, 2005

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Governmental</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Activities</u>
		<u>Services</u>	<u>Grants and</u>	<u>Net (Expense)</u>
			<u>Contributions</u>	<u>Revenue and</u>
				<u>Change in</u>
				<u>Net Assets</u>
Governmental activities:				
General government	\$ 247,655	\$ 9,461	\$ 5,400	\$ (232,794)
Public safety	270,117	267,902	0	(2,215)
Public works	166,779	162,657	0	(4,122)
Highways and streets	173,641	243,270	15,000	84,629
Recreation and culture	30,738	0	0	(30,738)
Planning, zoning, and inspector	4,642	1,049	0	(3,593)
Interest on long-term debt	4,102	0	0	(4,102)
Total governmental activities	<u>\$ 897,674</u>	<u>\$ 684,339</u>	<u>\$ 20,400</u>	<u>(192,935)</u>
General revenues:				
Property taxes				88,007
Administration fees				33,357
State shared revenues				120,478
Investment earnings				4,273
Miscellaneous				593
Total general revenues				<u>246,708</u>
Change in net assets				53,773
Net assets - beginning of year				<u>1,251,372</u>
Net assets - end of year				<u>\$ 1,305,145</u>

See accompanying notes to financial statements

LINCOLN TOWNSHIP
Governmental Funds
Balance Sheet
June 30, 2005

	General Fund	Fire Fund	Police Fund	Other Nonmajor Governmental Fund	Total
<u>Assets</u>					
Cash and cash equivalents	\$699,831	\$149,949	\$123,300	\$ 1,552	\$ 974,632
Prepaid expenditures	4,609	3,149	0	0	7,758
Due from other governmental units	0	7,868	0	0	7,868
Due from other funds	2	0	1,552	0	1,554
Total Assets	<u>\$704,442</u>	<u>\$160,966</u>	<u>\$124,852</u>	<u>\$ 1,552</u>	<u>\$ 991,812</u>
<u>Liabilities and Fund Balance</u>					
<u>Liabilities</u>					
Accounts payable	\$ 9,051	\$ 121	\$ 7,414	\$ 0	\$ 16,586
Due to other funds	0	0	0	1,552	1,552
Total liabilities	<u>9,051</u>	<u>121</u>	<u>7,414</u>	<u>1,552</u>	<u>18,138</u>
<u>Fund Balance</u>					
Reserved for streets and highways	416,943	0	0	0	416,943
Reserved for rubbish removal	27,271	0	0	0	27,271
Unreserved	251,177	160,845	117,438	0	529,460
Total fund balance	<u>695,391</u>	<u>160,845</u>	<u>117,438</u>	<u>0</u>	<u>973,674</u>
Total Liabilities and Fund Balance	<u>\$704,442</u>	<u>\$160,966</u>	<u>\$124,852</u>	<u>\$ 1,552</u>	<u>\$ 991,812</u>

See accompanying notes to financial statements

LINCOLN TOWNSHIP
Reconciliation of Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2005

Total fund balance - governmental funds	\$ 973,674
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	
Cost of the capital assets	717,105
Accumulated depreciation	(308,034)
Long-term liabilities are not due and payable in the current period and are not reported in the funds:	
Installment purchase agreements	<u>(77,600)</u>
Total net assets - governmental activities	<u>\$ 1,305,145</u>

See accompanying notes to financial statements

LINCOLN TOWNSHIP
Governmental Funds
Statement of Revenues, Expenditures and
Change in Fund Balance
For the Year Ended June 30, 2005

	General Fund	Fire Fund	Police Fund	Other Nonmajor Governmental Fund	Total
<u>Revenues</u>					
Property taxes	\$ 269,369	\$ 109,680	\$ 109,680	\$ 0	\$ 488,729
Special assessments	224,564	0	0	0	224,564
Contracted services	0	48,542	0	0	48,542
Administration fees	33,357	0	0	0	33,357
Licenses, fees, and permits	9,382	7	0	0	9,389
State shared revenues	120,478	0	0	0	120,478
Interest and rentals	4,112	107	54	0	4,273
Other revenues	16,715	0	0	0	16,715
Total revenues	<u>677,977</u>	<u>158,336</u>	<u>109,734</u>	<u>0</u>	<u>946,047</u>
<u>Expenditures</u>					
Current:					
General government	250,415	0	0	0	250,415
Public safety	14,348	142,941	112,570	0	269,859
Public works	166,779	0	0	0	166,779
Highways and streets	173,641	0	0	0	173,641
Recreation and culture	30,738	0	0	0	30,738
Planning, zoning and inspector	4,642	0	0	0	4,642
Debt service	0	21,735	0	0	21,735
Total expenditures	<u>640,563</u>	<u>164,676</u>	<u>112,570</u>	<u>0</u>	<u>917,809</u>
Excess (deficiency) of revenues over expenditures	37,414	(6,340)	(2,836)	0	28,238
Fund balance - beginning of year	<u>657,977</u>	<u>167,185</u>	<u>120,274</u>	<u>0</u>	<u>945,436</u>
Fund balance - end of year	<u>\$ 695,391</u>	<u>\$ 160,845</u>	<u>\$ 117,438</u>	<u>\$ 0</u>	<u>\$ 973,674</u>

See accompanying notes to financial statements

LINCOLN TOWNSHIP
Reconciliation of the Statement of Revenues, Expenditures,
and Change in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2005

Net change in fund balance - total governmental funds	\$ 28,238
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	
Capital outlay	59,374
Depreciation expense	(51,472)
Repayment of loan principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	<u>17,633</u>
Change in net assets of governmental activities	<u><u>\$ 53,773</u></u>

See accompanying notes to financial statements

LINCOLN TOWNSHIP
Statement of Fiduciary Net Assets
June 30, 2005

	<u>Current Tax Fund</u>
<u>Assets</u>	
Cash	<u>\$ 2</u>
<u>Liabilities</u>	
Due to other funds	<u>\$ 2</u>

See accompanying notes to financial statements

LINCOLN TOWNSHIP
Notes to Financial Statements
For the Year Ended June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Lincoln Township (Township) conform to U.S. generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies used by Lincoln Township:

Reporting Entity

Lincoln Township is governed by an elected five member council (Board). The accompanying financial statements present the government.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

LINCOLN TOWNSHIP
Notes to Financial Statements
For the Year Ended June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, and claims and judgments are recorded only when payment is due.

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund.

The Fire Fund accounts for Township fire protection service activities.

The Police Fund accounts for activities associated with law enforcement within the Township.

Additionally, the Township reports the following fund types:

The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Liquor enforcement services are accounted for in the Special Revenue Funds as a non major governmental fund.

Assets, Liabilities, and Net Assets or Equity

Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

LINCOLN TOWNSHIP
Notes to Financial Statements
For the Year Ended June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Capital Assets – Capital assets, which include land, buildings and machinery and equipment are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of 5 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add value or materially extend asset lives are not capitalized.

Building, vehicles, and equipment are being depreciated using the straight-line method over the following useful lives:

Buildings	40 Years
Building improvements	15 to 25 Years
Vehicles	5 to 15 Years
Fire equipment	5 to 15 Years
Office equipment	5 to 15 Years
Computer equipment	3 to 5 Years

Long-term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets. The face amount of debt issued is reported as other financing sources. Issuance costs are reported as debt service expenditures.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

LINCOLN TOWNSHIP
Notes to Financial Statements
For the Year Ended June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates – The process of preparing the basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2 - BUDGETS

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General and Special Revenue Funds of governments prior to the expenditure of monies in a fiscal year.

Lincoln Township follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The Township's supervisor submits to the Board a proposed budget prior to July 1 of each year. The budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Budgeted amounts are as originally adopted, or as amended by the Board throughout the year. Individual amendments were not material in relation to the original appropriations. Budgets are adopted to the functional level.
4. Appropriations lapse at year-end. These appropriations are re-established at the beginning of the following year.

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board) for the General, Fire and Police Funds are presented as Required Supplemental Information.

LINCOLN TOWNSHIP
Notes to Financial Statements
For the Year Ended June 30, 2005

NOTE 3 - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rates within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. The Township's deposits are in accordance with statutory authority.

At year-end, the Township's deposits were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Fund</u>	<u>Total</u>
Cash and cash equivalents	\$ 974,632	\$ 2	\$ 974,634

Custodial credit risk – deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of June 30, 2005, \$775,053 of the Township's bank balance of \$975,053 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Township's investment policy does not identify interest rate risk, foreign currency risk or concentration credit risk.

As of June 30, 2005, the Township had no investments.

LINCOLN TOWNSHIP
Notes to Financial Statements
For the Year Ended June 30, 2005

NOTE 4 - CAPITAL ASSETS

Capital asset activity of the Township for the current year was as follows:

	Balance July 1, 2004	Additions	Disposals and Adjustments	Balance June 30, 2005
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 29,807	\$ 5,400	\$ 0	\$ 35,207
Capital assets being depreciated:				
Buildings	51,827	0	0	51,827
Building improvements	53,396	0	0	53,396
Equipment	107,801	53,974	0	161,775
Vehicles	414,900	0	0	414,900
Subtotal	627,924	53,974	0	681,898
Less accumulated depreciation for:				
Buildings	36,345	997	0	37,342
Building improvements	16,339	2,768	0	19,107
Equipment	42,878	20,340	0	63,218
Vehicles	161,000	27,367	0	188,367
Subtotal	256,562	51,472	0	308,034
Net capital assets being depreciated	371,362	2,502	0	373,864
Governmental Activities, Total				
Capital Assets - Net of Depreciation	<u>\$ 401,169</u>	<u>\$ 7,902</u>	<u>\$ 0</u>	<u>\$ 409,071</u>

Depreciation expense was charged to programs of the Township as follows:

Governmental Activities:	
General government	\$ 11,500
Public safety	<u>39,972</u>
Total Governmental Activities	<u>\$ 51,472</u>

LINCOLN TOWNSHIP
Notes to Financial Statements
For the Year Ended June 30, 2005

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES

A summary of inter-fund receivable and payable balances at June 30, 2005 is shown below. There were no transfers during the year.

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ 2	\$ 0
Police Fund	1,552	0
Liquor Law Fund	0	1,552
Tax Fund	<u>0</u>	<u>2</u>
	<u>\$ 1,554</u>	<u>\$ 1,554</u>

The primary purpose of the receivables/payables is to reflect amounts due from the tax fund that were not distributed to the funds as of June 30, 2005. The receivables/payables balance also reimbursements to the Police Fund from the Liquor Law Fund for liquor law enforcement services.

NOTE 6 - LONG-TERM DEBT

Long-term debt obligation activity can be summarized as follows:

	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Retirements and Adjustments</u>	<u>Balance June 30, 2005</u>	<u>Amount Due Within One Year</u>
Installment purchase agreements	<u>\$ 95,233</u>	<u>\$ 0</u>	<u>\$ 17,633</u>	<u>\$ 77,600</u>	<u>\$ 18,477</u>

Lincoln Township entered into an installment purchase agreement on April 8, 2002 in the amount of \$129,400 at an interest rate of 4.70% for seven years. The installment purchase agreement was used to purchase 2002 Pierce Custom Contender.

LINCOLN TOWNSHIP
Notes to Financial Statements
For the Year Ended June 30, 2005

NOTE 6 - LONG-TERM DEBT (CONTINUED)

Annual debt service requirements to maturity for the above obligation are as follows:

<u>Year End June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 18,477	\$ 3,252	\$ 21,729
2007	19,364	2,365	21,729
2008	20,294	1,435	21,729
2009	19,465	456	19,921
Total	<u>\$ 77,600</u>	<u>\$ 7,508</u>	<u>\$ 85,108</u>

NOTE 7 - RISK MANAGEMENT

Lincoln Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation). The Lincoln Township participates in the Michigan Municipal League risk pool for claims relating to workers' compensation, general liability, and property/casualty claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The Michigan Municipal Risk Management Authority risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority, that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with Lincoln Township.

The Michigan Municipal Risk Management Authority's State Pool program operates as a common risk-sharing management program for local units of government in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. A portion of the excess insurance coverage is underwritten by the Authority itself.

LINCOLN TOWNSHIP
Notes to Financial Statements
For the Year Ended June 30, 2005

NOTE 7 - RISK MANAGEMENT (CONTINUED)

The Michigan Townships Participating Plan operates as an insurance purchasing pool for local units of government in Michigan. The Plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

NOTE 8 - PENSION PLAN

The Township provides pension benefits to certain qualified employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. The Township contributes 15% percent of employees' gross earnings and employee contributions for each employee plus interest allocated to the employee's account are immediately fully vested.

The Township's total payroll during the current year was \$169,243. The current year contribution was calculated based on covered payroll of \$147,252, resulting in an employer contribution of \$22,830.

LINCOLN TOWNSHIP
Required Supplemental Information
Budgetary Comparison Schedule - Major Governmental Funds
For the Year Ended June 30, 2005

	General Fund		
	Original Budget	Final Amended Budget	Actual
<u>Revenues</u>			
Property taxes	\$ 251,800	\$ 251,800	\$ 269,369
Special assessments	239,086	239,086	224,564
Contracted services	0	0	0
Administration fees	39,500	39,500	33,357
Licenses, fees, and permits	5,750	5,750	9,382
State shared revenues	65,000	65,000	120,478
Interest and rentals	4,200	4,200	4,112
Other revenues	5,106	5,106	16,715
Total revenues	<u>610,442</u>	<u>610,442</u>	<u>677,977</u>
<u>Expenditures</u>			
Current:			
General government	327,025	363,620	250,415
Public safety	16,200	16,200	14,348
Public works	166,800	167,462	166,779
Highways and steets	316,150	326,035	173,641
Recreation and culture	104,548	104,623	30,738
Planning, zoning and inspector	9,800	10,075	4,642
Debt service	0	0	0
Total expenditures	<u>940,523</u>	<u>988,015</u>	<u>640,563</u>
Excess (deficiency) of revenues over expenditures	(330,081)	(377,573)	37,414
Fund balance - beginning of year	<u>657,977</u>	<u>657,977</u>	<u>657,977</u>
Fund balance - end of year	<u>\$ 327,896</u>	<u>\$ 280,404</u>	<u>\$ 695,391</u>

Fire Fund			Police Fund		
Original Budget	Final Amended Budget	Actual	Original Budget	Final Amended Budget	Actual
\$ 102,132	\$ 102,132	\$ 109,680	\$ 103,832	\$ 103,632	\$ 109,680
0	0	0	0	0	0
45,536	45,536	48,542	0	0	0
0	0	0	0	0	0
0	0	7	0	0	0
0	0	0	0	0	0
650	650	107		200	54
0	0	0	0	0	0
<u>148,318</u>	<u>148,318</u>	<u>158,336</u>	<u>103,832</u>	<u>103,832</u>	<u>109,734</u>
0	0	0	0	0	0
154,660	180,833	142,941	118,000	115,399	112,570
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
22,000	22,000	21,735	0	0	0
<u>176,660</u>	<u>202,833</u>	<u>164,676</u>	<u>118,000</u>	<u>115,399</u>	<u>112,570</u>
(28,342)	(54,515)	(6,340)	(14,168)	(11,567)	(2,836)
<u>167,185</u>	<u>167,185</u>	<u>167,185</u>	<u>120,274</u>	<u>120,274</u>	<u>120,274</u>
<u>\$ 138,843</u>	<u>\$ 112,670</u>	<u>\$ 160,845</u>	<u>\$ 106,106</u>	<u>\$ 108,707</u>	<u>\$ 117,438</u>

Other Supplemental Information

LINCOLN TOWNSHIP
Other Supplemental Information
Balance Sheet
Nonmajor Government Fund
June 30, 2005

	<u>Liquor Law Fund</u>
<u>Assets</u>	
Cash and cash equivalents	<u>\$ 1,552</u>
<u>Liabilities and Fund Balance</u>	
<u>Liabilities</u>	
Due to other funds	\$ 1,552
<u>Fund Balance</u>	
Unreserved	
Undesignated	<u>0</u>
Total Liabilities and Fund Balance	<u>\$ 1,552</u>

LINCOLN TOWNSHIP
Other Supplemental Information
Statement of Revenues, Expenditures and
Change in Fund Balance - Nonmajor Governmental Fund
For the Year Ended June 30, 2005

	<u>Liquor Law Fund</u>
<u>Revenues</u>	
Licenses, fees, and permits	\$ 0
 <u>Expenditures</u>	
Public safety	<u> 0</u>
Excess (deficiency) of revenues over expenditures	 0
Fund balance - beginning of year	<u> 0</u>
Fund balance - end of year	<u><u> \$ 0</u></u>



WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS

ROBERT E. LIST, CPA
STEWART J. REID, CPA
MICHAEL L. HANISKO, CPA
DAVID D. QUIMBY, CPA
KATHLYN M. ENGELHARDT, CPA
RENA E. M. CLEVELAND, CPA
AMY L. RODRIGUEZ, CPA
SCOTT A. NIETZKE, CPA

WALTER G. WEINLANDER, CPA
ROY A. SCHAIERER, CPA
JAMES L. WHALEY, CPA
JEROME L. YANTZ, CPA
PHILIP T. SOUTHGATE, CPA
ROBERT J. DUYCK, CPA

July 12, 2005

Township Board
Township of Lincoln
Clare County, Michigan

This letter is intended to inform the Township Board about significant matters related to the conduct of the annual audit so it can appropriately discharge its oversight responsibility and that we comply with our professional responsibilities to the Township Board.

The following summarizes various matters which must be communicated to you under U.S. generally accepted auditing standards.

The Auditor's Responsibility Under U.S. Generally Accepted Auditing Standards

Our audit of the financial statements of the Township of Lincoln for the year ended June 30, 2005 was conducted in accordance with U.S. generally accepted auditing standards. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error, fraudulent financial reporting or misappropriation of assets. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Accordingly, the audit was designed to obtain reasonable, rather than absolute, assurance about the financial statements. We believe our audit accomplished that objective.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. Management has informed us they used all the relevant facts available to them at the time to make the best judgments about accounting estimates and we considered this information in the scope of our audit. These estimates are relatively insignificant in relation to the financial statements taken as a whole.

1600 CENTER AVENUE
POST OFFICE BOX 775
BAY CITY, MI 48707-0775
989-893-5577
800-624-2400
FAX 989-895-5842
www.wf-cpas.com
wf@wf-cpas.com

OFFICES: BAY CITY, CLARE
GLADWIN AND WEST BRANCH

RSM McGladrey Network

An Independently Owned Member



WEINLANDER FITZHUGH

Board of Directors
Clare Conservation District
October 26, 2005
Page 2

Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Our audit adjustments were not significant.

Accounting Policies and Alternative Treatments

Management and the Board have the ultimate responsibility for the appropriateness of the accounting policies used by the District. The significant accounting policies adopted by the District are described in Footnote 1 to the financial statements.

Disagreements with Management

We encountered no disagreements with management over the application of significant principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements.

Consultations with Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Major Issues Discussed with Management Prior to Retention

No major issues were discussed with management prior to our retention to perform the aforementioned audit.



WEINLANDER FITZHUGH

Township Board
Township of Lincoln
July 12, 2005
Page 3

Difficulties Encountered in Performing the Audit

We did not encounter any difficulties in dealing with management relating to the performance of the audit.

Other Matters

Internal Controls

Statement on Auditing Standard (SAS) No. 99, Consideration of Fraud in a Financial Statement Audit, requires auditors to assess risks of fraud after taking into account the evaluation of the Township's programs and controls to prevent, deter and detect fraud. As part of our responsibilities under SAS 99, we have addressed the risk assessment related to fraud by performing inquiries, completing comprehensive checklists and performing other procedures designed to detect fraud risk factors. SAS 99 further states that it is management's responsibility for designing and implementing effective systems and procedures for preventing, deterring and detecting fraud. While we did not identify any specific fraud risks, we recommend the Township periodically review the controls in place to prevent, deter and detect fraud. In order for the management to demonstrate its responsibility for overseeing the Township's fraud risk assessment and monitoring process, we recommend that the board policies be reviewed to include a formal antifraud policy that includes what procedures and controls are in place to prevent, deter and detect fraud.

Closing

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to Lincoln Township.

This report is intended solely for the information and use of the Township Board and management and is not intended to be, and should not be, used by anyone other than the specified parties.

Weinlander Fitzhugh